

UNION PACIFIC RAILROAD COMPANY

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April 7, 1998

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General Chairman
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413 West Texas
Fort Worth, TX 75092-3755

Mr. R. A. Poe
General Chairman
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6240 Tarascas
El Paso, TX 79912

Gentlemen:

This has reference to the parties' discussions regarding the Memorandum of Agreement between Union Pacific Railroad Company ("UP" or "Carrier"), Houston Belt and Terminal Railway Company ("HBT") and the Brotherhood of Locomotive Engineers ("Organization"), dated March 18, 1998 ("Trackage Rights Agreement"). This accord governs the selection and rearrangement of HBT engineers necessary to effect Carrier's trackage rights operations on HBT tracks north of the former GH&H line pursuant to the Surface Transportation Board's decisions in Finance Docket Numbers 33461 and 33462.

As the parties prepare for commencement of the trackage rights operations, questions have arisen regarding implementation of the Trackage Rights Agreement and commitments made with negotiating the UP/SP New York Dock Merger Implementing Agreements for the Houston Hub. Specifically, the questions focus on integrating former HBT engineers on Carrier's Houston Hub seniority rosters pursuant to Article II, Section A, Paragraph 2 of the Trackage Rights Agreement and complying with commitments made in Side Letters No. 4 and No. 8 of the January 17, 1997 Standby Seniority Merger Implementing Agreement. It is the purpose of this agreement to address those concerns and confirm the parties' understandings regarding this implementation and, specifically, integration of the involved HBT engineers on Carrier's rosters.

Article II, Section A, Paragraph 2 of the Trackage Rights Agreement provides, in relevant part:

"2. ... former HBT engineers will be placed on the Houston Hub - Zone 5 seniority roster in accordance with applicable provisions of the Standby Seniority Merger Implementing Agreement, dated January 17, 1997, including Side Letters No. 4 and No. 8 thereof."

To ensure we equitably integrate HBT engineers and satisfy earlier commitments, the parties agree the following provisions will govern in the application and implementation of Article II, Section A, Paragraph 2 of the Trackage Rights Agreement, Side Letters No. 4 and No. 8 of the Standby Seniority Merger Implementing Agreement:

1. (a). HBT engineers transferring to UP pursuant to the Trackage Rights Agreement will be placed on the Zone 5 prior rights roster for HBT (see Side Letter No. 4). Such engineers will be afforded all prior rights granted other former HBT engineers on said roster and will be placed thereon according to their relative standing as engineers on the former HBT seniority roster.

NOTE: Pursuant to the Trackage Rights Agreement, sixteen (16) former HBT will be transferred to UP in connection with this implementation.

- (b). HBT engineers transferring to UP pursuant to the Trackage Rights Agreement will be placed on the dovetailed (common) Houston Hub seniority rosters in line with their relative seniority standing among other engineers on the roster (see Side Letter No. 4). The placement of HBT engineers on the common seniority roster will be based on their HBT engineer seniority date.
2. (a). The work that is to be transferred to UP pursuant to the Trackage Rights Agreement is the former HBT assignments north of the former GH&H line (excluding Settegast Yard assignments). More specifically, this work consists of the former HBT assignments at Basin Yard and Booth Yard, including the Glass Tract. This work (hereinafter collectively referred to as "Basin/Booth Yard assignments") does not include any assignments that worked in or had an on-/off-duty point at Settegast Yard.
- (b). At the time Carrier served notice to implement the Trackage Rights Agreement, there were twelve Basin/Booth Yard Assignments. Those assignments were as follows:

LOCATION	HBT JOB IDENTIFICATION NUMBER
Basin Yard Zone 9	102
Glass Tract	104
Basin Yard Zone 3	112
Basin Yard Zone 13	222
Basin Yard Zone 10	223
Basin Yard Zone 5	303
Glass Tract	324

LOCATION	HBT JOB IDENTIFICATION NUMBER
Basin Yard Lead	107
Basin Yard Lead	207
Basin Yard Lead	307
Booth Yard	216
Basin/Booth Relief	12

- (c). Concurrent with implementation of the Trackage Rights Agreement, Carrier will bulletin twelve (12) regular Basin/Booth Yard assignments in accordance with applicable provisions of the UP Southern Region Agreement.

NOTE: Nothing herein will obligate Carrier to maintain twelve or any other number of assignments at Basin Yard, Booth Yard and/or Glass Tract. Likewise, it is not intended for Carrier to be required to maintain the same job configurations (off days, start times, etc.) as presently exist for the assignments identified in Paragraph (b) above.

3. (a). Former HBT engineers who bid on and are assigned to the Basin/Booth Yard jobs initially posted pursuant to the Trackage Rights Agreement and this agreement will be given prior rights to Basin/Booth Yard jobs. These prior rights will be given only to those former HBT engineers who bid on and are assigned to Basin/Booth Yard engineer positions advertised pursuant to Article IV of the Trackage Rights Agreement and Section 2, Paragraph (c) of this agreement. Similarly, engineers, including former HBT engineers, bidding on Basin/Booth Yard assignments after implementation of the Trackage Rights Agreement will not acquire such prior rights.

NOTE 1: The prior rights provided in this Section 3 are to be granted only to those former HBT engineers who bid on and are assigned to the initial Basin/Booth Yard job bulletins. Such prior rights are exercisable only on the Basin/Booth Yard jobs and cannot be applied to any other assignment(s).

NOTE 2: The parties will, in conjunction with the implementation of this understanding, jointly prepare a list identifying

the former HBT engineers who acquire the Basin/Booth Yard prior rights.

NOTE 3: The parties specifically intend this Section 3 to bestow the Basin/Booth Yard prior rights to a maximum of twelve (12) former HBT engineers. To acquire such prior rights, the former HBT engineer must bid on and be assigned to a Basin/Booth Yard job advertised in conjunction with the implementation of the Trackage Rights Agreement. After implementation of this Agreement, no other former HBT engineer will acquire prior rights to the Basin/Booth Yard assignments.

(b). Except for the prior rights granted to former HBT engineers pursuant to Paragraph (a) above, all Basin/Booth Yard jobs will be considered as "common" jobs in Zone 5 and will not subject to the "order of selection lists," or other allocations established pursuant to Side Letter No. 4 of the Standby Seniority Merger Implementing Agreement. Therefore, if a Basin/Booth Yard job is not filled by a former HBT engineer possessing prior rights acquired pursuant to Paragraph (a) above, the job will be considered as a Zone 5 "common" assignment and will be filled by the senior bidder from the Zone 5 common (dovetailed) seniority roster.

4. A former HBT engineer possessing prior rights to Basin/Booth Yard jobs pursuant to this accord will lose such rights if he or she voluntarily vacates or fails to exercise such prior rights.

EXAMPLE: A former HBT engineer holding Basin/Booth Yard prior rights bids off his/her present job (a Basin Yard Lead job) to a bulletined vacancy at Settegast Yard. Once assigned to that Settegast Yard job, the former HBT engineer permanently loses the Basin/Booth Yard prior rights.

NOTE: It is the parties specific intent that holders of prior rights granted pursuant to this accord must fulfill all obligations associated with those rights. It is not intended these prior rights be "rights of convenience." Thus, if an employee fails to exercise his or her prior rights to a Basin/Booth Yard job, said employee will, except for the one exception listed in Section 5 below, automatically forfeit his or her Basin/Booth Yard prior rights.

5. (a). If Carrier abolishes a Basin/Booth Yard job, or reduces the number of Basin/Booth Yard jobs below the number of former HBT engineers exercising prior rights to such assignments, the affected employee(s) may

exercise his or her (their) seniority in accordance with applicable Agreement rules. The affected employee is not, in this one instance, required to exhaust his or her prior rights seniority to Basin/Booth Yard jobs before exercising seniority elsewhere in the Houston Hub. The engineer must, however, bid on any new Basin/Booth Yard assignment subsequently bulletined by Carrier.

NOTE 1: In those situations where Carrier abolishes a Basin/Booth Yard job, the resultant seniority move by the affected engineer will be considered as an involuntary exercise of seniority and thus he or she need not exhaust his Basin/Booth Yard prior rights seniority prior to exercising seniority to another position in the Houston Hub. To retain such prior rights, said employee will, however, be obligated to exercise seniority (bid) on the next Basin/Booth Yard job bulletined by Carrier.

NOTE 2: We intend the above exception to apply only when Carrier abolishes a Basin/Booth Yard job. This exception will not apply in those circumstances where Carrier re-bulletins an assignment because of a desire to change rest days, start times, etc. Former HBT engineers holding these prior rights must exercise his or her seniority to another Basin/Booth Yard assignment or bid on the revised (new) assignment to retain these rights.

NOTE 3: Employees afforded prior rights pursuant to this understanding will not lose such rights as a result of discipline assessed by Carrier, taking approved leaves of absence and/or accepting positions as Carrier or union officials.

(b). If Carrier reestablishes a Basin/Booth Yard job, or adds additional (new) Basin/Booth Yard jobs, former HBT engineers possessing the prior rights granted herein and assigned to jobs elsewhere in the Houston Hub who do not exercise such prior rights (bid) to the new Basin/Booth Yard job(s) will automatically and permanently forfeit his or her prior rights.

6. This understanding will not in any manner affect an employee's right to exercise his or her option(s) under the "pass-up rule" contained in the UP Southern Region Agreement. Employees possessing Basin/Booth Yard prior rights may "pass-up" his or her assignment. Since the exercise of rights under the "pass-up rule" is voluntary, said employee must exercise his or her prior rights to another Basin/Booth Yard job or forfeit his or her Basin/Booth Yard prior rights. If such an employee exercises his or her seniority rights to a position outside

Basin/Booth Yard, the resultant Basin/Booth Yard vacancy will be considered a "common" vacancy and filled according to applicable rules.

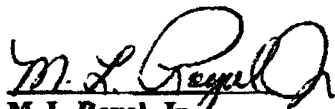
- 7. Nothing herein is intended to limit or restrict seniority options or other prior rights opportunities granted former HBT engineers pursuant to Side Letter No. 4 of the Standby Seniority Merger Implementing Agreement.
- 8. The provisions of this Letter of Understanding fully comply with and fulfill the parties' obligations and commitments in the Trackage Rights Agreement and in Side Letters No. 4 and No. 8 of the Standby Seniority Merger Implementing Agreement.
- 9. (a). In view of the complex seniority arrangements governing assignment of yard jobs in Zone 5 and the parties' commitments in Section 8 above, it is agreed that in the event a disagreement or dispute arises concerning interpretation and/or application of this accord, the parties signatory hereto will promptly meet to discuss and resolve the matter or dispute.
- (b). In view of the intricacies of the seniority rules and job assignment arrangements governing Zone 5 jobs, it is agreed CMS and Local Chairmen will jointly endeavor to correct any erroneous assignments, etc. prior to progressing claims over such matters.

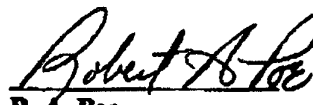
If the foregoing properly and accurately reflects the parties' understandings, please so indicate by affixing your respective signature in the space provided below.

Sincerely,



AGREED:


 M. L. Royal, Jr.
 General Chairman, BLE


 R. A. Poe
 General Chairman, BLE

APPROVED:


 J. L. McCoy
 Vice President, BLE


 D. M. Hahs
 Vice President, BLE

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6240 Tarascas
El Paso, TX 79912

Gentlemen:

This has reference to the parties' discussions regarding application and interpretation of Side Letter No. 4 of the January 17, 1997 Standby Seniority Merger Implementing Agreement.

Side Letter No. 4 provides, "... the filling of regular assignments within Zone 5 would be accomplished by applying the prior rights roster described above to an order of selection list which incorporates the relative equities of the former rosters." Pursuant thereto, the parties developed an order of selection list for the initial assignments in Zone 5. A question arose whether we apply the order of selection list to only those assignments operated at the time preparations for implementation of the Zone 5 merged operations were made or to all Zone 5 yard assignments.

The purpose of this understanding is to confirm the parties' understandings regarding application of Side Letter No. 4. It was not the parties' intent to apply the order of selection list to all assignments in Zone 5. Such an application would in effect permanently preserve work equities which would have no bearing or relationship to post-merger operations in Zone 5. Moreover, application of the order of selection list to all Zone 5 assignments could potentially cause a diminution of employees' "common" seniority rights. Therefore, the parties agree the order of selection list will apply only to the first one hundred ten (110) yard assignments in Zone 5 (the number that existed when the parties began preparations for implementation of Zone 5 merged operations). Assignment(s) bulletined after the 110-job threshold is satisfied will be considered a "common" job and filled from the common (dovetailed) seniority roster. The former HBT jobs north of the GH&H line (the assignments bulletined at Booth Yard, Basin Yard or at the Glass Tract) are considered as "common" assignments and are thus not, regardless of the number of assignments operated in the Zone 5, subject to application of the order of selection list.

If the foregoing accurately reflects the parties' understandings, please so indicate by affixing your signature in the spaces provided below.

Sincerely,

AGREED:

**M. L. Royal, Jr.
General Chairman, BLE**

**R. A. Poe
General Chairman, BLE**